

COUNTY OF GLASSCOCK  
Annual Financial Report  
Year Ended September 30, 2017

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**FINANCIAL SECTION**

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Glasscock  
P.O. Box 67  
Garden City, TX 79739-0067

### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of September 30, 2017, the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

***Basis of Accounting***

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters***

*Other Information*

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 7, 37, and 38 through 39, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Glasscock's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

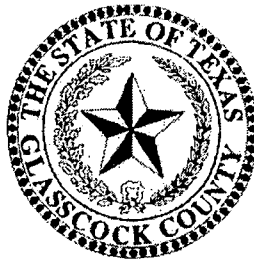
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the County of Glasscock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Glasscock's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

January 31, 2018



**Kim Halfmann**  
*Glasscock County Judge*

*Pct. 1 Commissioner Charles Gully*  
*Pct. 3 Commissioner Gary Jones*

*Pct. 2 Commissioner Mark Halfmann*  
*Pct. 4 Commissioner Michael Hoch*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the County of Glasscock's financial performance provides an overview of the County's financial activities for the year ended September 30, 2017, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

### **Financial Highlights - Modified Cash Basis of Accounting**

The County's assets exceeded its liabilities at the end of the current year by \$41,688,930 (net position). Of this amount, \$22,627,241 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$6,050,745 or 17%. This amount consists of a \$6,144,510 increase attributable to current year operations, and a \$93,765 decrease attributable to a prior period adjustment described in Note IV, F. to the financial statements. The County's statement of activities shows total revenues of \$11,945,943 and total expenses of \$5,801,433.

The total fund balance of the General Fund is \$22,445,901 which is an increase of \$1,755,034 or 8% compared to the prior year.

### **Overview of the Financial Statements**

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. Business-type activities consist of a water system.

The County has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund which is a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

**Proprietary Funds** - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water system.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the County's net position is presented below:

**NET POSITION - MODIFIED CASH BASIS**

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 23,009,759	\$ 21,219,851	\$ 172,622	\$ 157,725	\$ 23,182,381	\$ 21,377,576
Capital Assets	17,600,502	13,320,695	948,893	996,237	18,549,395	14,316,932
<b>Total Assets</b>	<b>\$ 40,610,261</b>	<b>\$ 34,540,546</b>	<b>\$ 1,121,515</b>	<b>\$ 1,153,962</b>	<b>\$ 41,731,776</b>	<b>\$ 35,694,508</b>
Liabilities	\$ 42,846	\$ 56,323	\$ 0	\$ 0	\$ 42,846	\$ 56,323
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 17,600,502	\$ 13,320,695	\$ 948,893	\$ 996,237	\$ 18,549,395	\$ 14,316,932
Restricted	512,294	463,655	0	0	512,294	463,655
Unrestricted	22,454,619	20,699,873	172,622	157,725	22,627,241	20,857,598
<b>Total Net Position</b>	<b>\$ 40,567,415</b>	<b>\$ 34,484,223</b>	<b>\$ 1,121,515</b>	<b>\$ 1,153,962</b>	<b>\$ 41,688,930</b>	<b>\$ 35,638,185</b>

A large portion of the County's net position resulting from modified cash basis transactions (\$18,549,395) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$512,294) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$22,627,241) may be used to meet the County's ongoing obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis - Continued

**Governmental Activities** - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$6,176,957 and \$9,707,549 for the fiscal years ended September 30, 2017 and 2016, respectively. Business-type activities decreased the County's net position by \$32,447 and \$13,673 for the fiscal years ended September 30, 2017 and 2016, respectively. Key elements of these increases (decreases) are as follows:

#### CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,					
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1,037,632	\$ 1,027,725	\$ 95,729	\$ 103,357	\$ 1,133,361	\$ 1,131,082
Operating and Capital Grants	743,430	2,508,585	0	0	743,430	2,508,585
General Revenues						
Maintenance and Operations Taxes	9,877,481	11,350,894	0	0	9,877,481	11,350,894
Investment Earnings	154,065	61,828	945	366	155,010	62,194
Other	30,661	212,796	6,000	6,000	36,661	218,796
<b>Total Revenues</b>	<b>\$ 11,843,269</b>	<b>\$ 15,161,828</b>	<b>\$ 102,674</b>	<b>\$ 109,723</b>	<b>\$ 11,945,943</b>	<b>\$ 15,271,551</b>
<b>Expenses</b>						
General Government	\$ 1,926,021	\$ 1,802,051	\$ 0	\$ 0	\$ 1,926,021	\$ 1,802,051
Roads and Bridges	2,194,166	2,019,071	0	0	2,194,166	2,019,071
Justice System	359,426	300,510	0	0	359,426	300,510
Public Safety	893,996	850,268	0	0	893,996	850,268
Public Health and Welfare	121,246	269,677	0	0	121,246	269,677
Culture and Education	112,011	149,930	0	0	112,011	149,930
Community and Economic Development	59,446	62,772	0	0	59,446	62,772
Water	0	0	135,121	123,396	135,121	123,396
<b>Total Expenses</b>	<b>\$ 5,666,312</b>	<b>\$ 5,454,279</b>	<b>\$ 135,121</b>	<b>\$ 123,396</b>	<b>\$ 5,801,433</b>	<b>\$ 5,577,675</b>
<b>Change in Net Position</b>	<b>\$ 6,176,957</b>	<b>\$ 9,707,549</b>	<b>\$ (32,447)</b>	<b>\$ (13,673)</b>	<b>\$ 6,144,510</b>	<b>\$ 9,693,876</b>
<b>Net Position - Beginning</b>	<b>34,484,223</b>	<b>24,776,674</b>	<b>1,153,962</b>	<b>1,167,635</b>	<b>35,638,185</b>	<b>25,944,309</b>
<b>Prior Period Adjustment</b>	<b>(93,765)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(93,765)</b>	<b>0</b>
<b>Net Position - Ending</b>	<b>\$ 40,567,415</b>	<b>\$ 34,484,223</b>	<b>\$ 1,121,515</b>	<b>\$ 1,153,962</b>	<b>\$ 41,688,930</b>	<b>\$ 35,638,185</b>

### Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds - Continued

The County's governmental funds reported combined ending fund balances of \$22,966,913, an increase of \$1,803,385 or 9% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$22,445,901. All of this balance is unassigned.

Special Revenue Funds \$521,012. Of these balances \$8,718 is committed to special programs and \$512,294 is restricted by legislation.

**Proprietary Funds** - The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The County's Enterprise Fund reported unrestricted net position of \$172,622, an increase of \$14,897 or 9% in comparison with the prior year.

### General Fund Budget

The original and final amended budget for the General Fund was \$11,888,143. Variances between the original budget and the final amended budget are shown on page 37 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$11,652,698 for the fiscal year 2018, which is a decrease of \$235,445 from the fiscal year 2017.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - Financial statement footnote III. C. discloses the County's capital asset activity for the year ended September 30, 2017.

**Long-Term Debt** - The County had no long-term debt outstanding.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kim Halfmann, County Judge, County of Glasscock, P.O. Box 67, Garden City, TX 79739-0067.

Basic Financial Statements

COUNTY OF GLASSCOCK  
Statement of Net Position - Modified Cash Basis  
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 22,905,205	\$ 172,622	\$ 23,077,827
Due from Fiduciary Funds	104,100	0	104,100
Other Receivables	454	0	454
Capital Assets (Net of Accumulated Depreciation):			
Land	229,331	20,000	249,331
Infrastructure	7,281,109	0	7,281,109
Buildings and Improvements	4,889,233	0	4,889,233
Water System	0	922,007	922,007
Machinery and Equipment	1,678,457	6,886	1,685,343
Construction in Progress	<u>3,522,372</u>	<u>0</u>	<u>3,522,372</u>
Total Assets	<u>\$ 40,610,261</u>	<u>\$ 1,121,515</u>	<u>\$ 41,731,776</u>
<b><u>LIABILITIES</u></b>			
Collection Fees Payable	\$ 5,251	\$ 0	\$ 5,251
Due to Other Governments	<u>37,595</u>	<u>0</u>	<u>37,595</u>
Total Liabilities	<u>\$ 42,846</u>	<u>\$ 0</u>	<u>\$ 42,846</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	17,600,502	\$ 948,893	18,549,395
Restricted:			
Legislation	512,294	0	512,294
Unrestricted	<u>22,454,619</u>	<u>172,622</u>	<u>22,627,241</u>
Total Net Position	<u>\$ 40,567,415</u>	<u>\$ 1,121,515</u>	<u>\$ 41,688,930</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business- Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
Governmental Activities:							
General Government	\$ 1,926,021	\$ 607,114	\$ 31,080	\$ 0	\$ (1,287,827)	\$ 0	\$ (1,287,827)
Roads and Bridges	2,194,166	41,210	10,105	689,315	(1,453,536)	0	(1,453,536)
Justice System	359,426	346,553	4,512	0	(8,361)	0	(8,361)
Public Safety	893,996	33,925	918	7,500	(851,653)	0	(851,653)
Public Health and Welfare	121,246	8,830	0	0	(112,416)	0	(112,416)
Culture and Education	112,011	0	0	0	(112,011)	0	(112,011)
Community and Economic Development	59,446	0	0	0	(59,446)	0	(59,446)
Total Governmental Activities	\$ 5,666,312	\$ 1,037,632	\$ 46,615	\$ 696,815	\$ (3,885,250)	\$ 0	\$ (3,885,250)
Business-Type Activities:							
Water System	135,121	95,729	0	0	0	(39,392)	(39,392)
Total	\$ 5,801,433	\$ 1,133,361	\$ 46,615	\$ 696,815	\$ (3,885,250)	\$ (39,392)	\$ (3,924,642)
General Revenues							
Property Taxes - Operations					\$ 9,877,481	\$ 0	\$ 9,877,481
Investment Earnings					154,065	945	155,010
Miscellaneous					30,661	6,000	36,661
Total General Revenues					\$ 10,062,207	\$ 6,945	\$ 10,069,152
Change in Net Position					\$ 6,176,957	\$ (32,447)	\$ 6,144,510
Net Position - Beginning					34,484,223	1,153,962	35,638,185
Prior Period Adjustments					(93,765)	0	(93,765)
Net Position - Ending					\$ 40,567,415	\$ 1,121,515	\$ 41,688,930

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 September 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 22,391,295	\$ 513,910	\$ 22,905,205
Due from Other Funds	96,998	7,102	104,100
Other Receivable	454	0	454
	<u>\$ 22,488,747</u>	<u>\$ 521,012</u>	<u>\$ 23,009,759</u>
Total Assets			
	<u>\$ 22,488,747</u>	<u>\$ 521,012</u>	<u>\$ 23,009,759</u>
<b><u>LIABILITIES</u></b>			
Collection Fees Payable	\$ 5,251	\$ 0	\$ 5,251
Due to Other Governments	37,595	0	37,595
	<u>\$ 42,846</u>	<u>\$ 0</u>	<u>\$ 42,846</u>
Total Liabilities			
	<u>\$ 42,846</u>	<u>\$ 0</u>	<u>\$ 42,846</u>
<b><u>FUND BALANCES</u></b>			
Restricted Reported in:			
Special Revenue Funds	\$ 0	\$ 512,294	\$ 512,294
Committed Reported in:			
Special Revenue Funds	0	8,718	8,718
Unassigned Fund Balance	22,445,901	0	22,445,901
	<u>\$ 22,445,901</u>	<u>\$ 521,012</u>	<u>\$ 22,966,913</u>
Total Fund Balances			
	<u>\$ 22,445,901</u>	<u>\$ 521,012</u>	<u>\$ 22,966,913</u>
Total Liabilities and Fund Balances			
	<u>\$ 22,488,747</u>	<u>\$ 521,012</u>	<u>\$ 23,009,759</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position - Modified Cash Basis  
September 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 22,966,913
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	13,231,006
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	5,259,393
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets. The net effect of these adjustments is to decrease net position.	(27,054)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(862,843)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 40,567,415</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended September 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 9,877,481	\$ 0	\$ 9,877,481
Fees	587,687	135,674	723,361
Fines	314,271	0	314,271
Intergovernmental	742,512	918	743,430
Interest	151,877	2,188	154,065
Miscellaneous	52,448	1,867	54,315
	<u>\$ 11,726,276</u>	<u>\$ 140,647</u>	<u>\$ 11,866,923</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	\$ 6,095,287	\$ 21,612	\$ 6,116,899
Roads and Bridges	2,553,715	0	2,553,715
Justice System	300,927	58,040	358,967
Public Safety	756,741	12,644	769,385
Public Health and Welfare	120,432	0	120,432
Culture and Education	110,261	0	110,261
Community and Economic Development	29,803	0	29,803
	<u>\$ 9,967,166</u>	<u>\$ 92,296</u>	<u>\$ 10,059,462</u>
Net Change in Fund Balances	\$ 1,759,110	\$ 48,351	\$ 1,807,461
Fund Balances - Beginning	20,690,867	472,661	21,163,528
Prior Period Adjustment	<u>(4,076)</u>	<u>0</u>	<u>(4,076)</u>
Fund Balances - Ending	<u>\$ 22,445,901</u>	<u>\$ 521,012</u>	<u>\$ 22,966,913</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,807,461</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	5,259,393
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets. The net effect of these adjustments is to decrease net position.	(27,054)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(862,843)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 6,176,957</u></u></b>

The accompanying notes are an integral part of this financial statement.



COUNTY OF GLASSCOCK  
 Statement of Net Position - Modified Cash Basis  
 Proprietary Fund  
 September 30, 2017

	<u>Water System Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 172,622
Noncurrent Assets:	
Capital Assets:	
Land	\$ 20,000
Water System	1,661,235
Equipment	29,400
Total	<u>\$ 1,710,635</u>
Less Accumulated Depreciation	<u>(761,742)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 948,893</u>
Total Assets	<u>\$ 1,121,515</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
None	<u>\$ 0</u>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	\$ 948,893
Unrestricted	<u>172,622</u>
Total Net Position	<u><u>\$ 1,121,515</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis  
 Proprietary Fund  
 Year Ended September 30, 2017

	<u>Water System Enterprise Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges Sales and Services:	
Water Sales	\$ 93,979
Other Services	1,750
Tower Rental	<u>6,000</u>
Total Operating Revenues	<u>\$ 101,729</u>
<b><u>OPERATING EXPENSES</u></b>	
Salaries and Benefits	\$ 46,735
Insurance	2,258
Utilities	8,321
Repair and Maintenance	24,651
Other	5,812
Depreciation	<u>47,344</u>
Total Operating Expenses	<u>\$ 135,121</u>
Operating Loss	\$ (33,392)
<b><u>NON-OPERATING REVENUES</u></b>	
Interest Earned	<u>945</u>
Change in Net Position	\$ (32,447)
Total Net Position - Beginning	<u>1,153,962</u>
Total Net Position - Ending	<u><u>\$ 1,121,515</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Statement of Cash Flows - Modified Cash Basis  
 Proprietary Fund  
 Year Ended September 30, 2017

	<u>Water System Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 95,729
Cash Payments for Goods and Services	(41,042)
Cash Payments for Salaries and Benefits	(46,735)
Tower Rental	<u>6,000</u>
Net Cash Provided (Used) by Operating Activities	\$ 13,952
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>945</u>
Net Increase in Cash and Cash Equivalents	\$ 14,897
Cash and Cash Equivalents - Beginning	<u>157,725</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 172,622</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (33,392)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	<u>47,344</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 13,952</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Funds  
September 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 365,273</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 104,100
Due to Other Governments	25,608
Due to Others	<u>235,565</u>
Total Liabilities	<u>\$ 365,273</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Glasscock, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Glasscock, Texas, was organized by an Act of the Texas Legislature in April 1893. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. The County also provides water utilities. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and the changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities of the proprietary funds are reported in the financial statements.

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and the proprietary fund financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental fund:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

The government reports the following major proprietary fund:

Enterprise Fund - Water Fund - This Fund accounts for the operation of the water system.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the County considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**F. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Machinery and Equipment	5-10
Water System	40

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

**G. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest, but employees may accumulate up to 90 days of sick leave. Upon separation from service, employees are paid for any current vacation leave which has been earned but not used; however, unused sick leave is not paid.

**H. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Net Position on the Statement of Net Position - Continued**

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted by Legislation.

**I. Fund Balances/Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

**J. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

**K. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.



COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

**Concentration of Credit Risk:** The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At September 30, 2017, the County's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
TexPool	\$ 15,226,259	67%	37 Days	AAAm
TexSTAR	7,381,076	33%	27 Days	AAAm
Total Public Funds Investment Pools	<u>\$ 22,607,335</u>	<u>100%</u>		

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Interfund Receivables and Payables**

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 96,998</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 7,102</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 96,998	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>7,102</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 104,100</u>	
Totals	<u>\$ 104,100</u>	<u>\$ 104,100</u>	

All amounts due are expected to be repaid within one year.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 229,331	\$ 0	\$ 0	\$ 0	\$ 229,331
Historical Building	240,296	0	0	0	240,296
Construction in Progress	10,070,580	5,139,009	0	(11,687,217)	3,522,372
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 10,540,207</b>	<b>\$ 5,139,009</b>	<b>\$ 0</b>	<b>\$ (11,687,217)</b>	<b>\$ 3,991,999</b>
Capital Assets Being Depreciated					
Infrastructure	\$ 0	\$ 0	\$ 0	\$ 7,597,678	\$ 7,597,678
Buildings and Improvements	2,361,408	0	204,747	3,999,850	6,156,511
Machinery and Equipment	5,125,790	120,384	110,033	0	5,136,141
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 7,487,198</b>	<b>\$ 120,384</b>	<b>\$ 314,780</b>	<b>\$ 11,597,528</b>	<b>\$ 18,890,330</b>
<b>Total Capital Assets</b>	<b>\$ 18,027,405</b>	<b>\$ 5,259,393</b>	<b>\$ 314,780</b>	<b>\$ (89,689)</b>	<b>\$ 22,882,329</b>
Less Accumulated Depreciation					
Infrastructure	\$ 0	\$ (316,569)	\$ 0	\$ 0	\$ (316,569)
Buildings and Improvements	(1,573,381)	(123,832)	(189,639)	0	(1,507,574)
Machinery and Equipment	(3,133,329)	(422,442)	(98,087)	0	(3,457,684)
<b>Total Accumulated Depreciation</b>	<b>\$ (4,706,710)</b>	<b>\$ (862,843)</b>	<b>\$ (287,726)</b>	<b>\$ 0</b>	<b>\$ (5,281,827)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 13,320,695</b>	<b>\$ 4,396,550</b>	<b>\$ 27,054</b>	<b>\$ (89,689)</b>	<b>\$ 17,600,502</b>

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Capital Assets Being Depreciated				
System	\$ 1,661,235	\$ 0	\$ 0	\$ 1,661,235
Machinery and Equipment	29,400	0	0	29,400
Total Capital Assets Being Depreciated	<u>\$ 1,690,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,690,635</u>
Total Capital Assets	<u>\$ 1,710,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,710,635</u>
Less Accumulated Depreciation				
System	\$ (696,524)	\$ (42,704)	\$ 0	\$ (739,228)
Machinery and Equipment	(17,874)	(4,640)	0	(22,514)
Total Accumulated Depreciation	<u>\$ (714,398)</u>	<u>\$ (47,344)</u>	<u>\$ 0</u>	<u>\$ (761,742)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 996,237</u>	<u>\$ (47,344)</u>	<u>\$ 0</u>	<u>\$ 948,893</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 86,487
Roads and Bridges	532,152
Justice System	459
Public Safety	211,538
Public Health and Welfare	814
Culture and Education	1,750
Community and Economic Development	29,643
Total Depreciation Expense - Governmental Activities	<u>\$ 862,843</u>
Business-Type Activities	
Water	<u>\$ 47,344</u>

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Due to Other Governments

Amounts due to other governments are summarized as follows:

	General Fund
Due to State - Fees Collected	\$ 37,595

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

**Plan Description** - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Funding Policy** - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 8.87% for the months of the accounting year in 2016 and 9.66% for the months of the accounting year in 2017.

The deposit rate payable by the employee members for calendar year 2017 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Actuarial Assumptions** - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2016 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2016 Summary Valuation Report for further details.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

**Long-Term Expected Rate of Return** - The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected Minus Inflation) <sup>(2)</sup>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.70%
Global Equities	MSCI World (Net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (Net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (Net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation of 2% per 2017 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.



COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Depletion of Plan Assets/GASB Discount Rate** - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

**Changes in Net Pension Liability/(Asset)** - The following presents the increases/(decreases) in net pension liability/(asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
<u>Changes in the Net Pension Liability/(Asset)</u>			
Balance as of December 31, 2015	<u>\$ 7,722,365</u>	<u>\$ 7,478,435</u>	<u>\$ 243,930</u>
Changes for the Year:			
Service Cost	\$ 324,388	\$ 0	\$ 324,388
Interest on Total Pension Liability <sup>(1)</sup>	620,751	0	620,751
Effect of Plan Changes <sup>(2)</sup>	0	0	0
Effect of Economic/Demographic Gains or Losses	(6,523)	0	(6,523)
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(6,749)	(6,749)	0
Benefit Payments	(437,508)	(437,508)	0
Administrative Expenses	0	(6,021)	6,021
Member Contributions	0	132,541	(132,541)
Net Investment Income	0	546,453	(546,453)
Employer Contributions	0	167,969	(167,969)
Other <sup>(3)</sup>	0	(18,687)	18,687
Net Changes	<u>\$ 494,359</u>	<u>\$ 377,998</u>	<u>\$ 116,361</u>
Balance as of December 31, 2016	<u>\$ 8,216,724</u>	<u>\$ 7,856,433</u>	<u>\$ 360,291</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

**Sensitivity Analysis** - The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 9,129,625	\$ 8,216,724	\$ 7,442,142
Fiduciary Net Position	<u>7,856,433</u>	<u>7,856,433</u>	<u>7,856,433</u>
Net Pension Liability/(Asset)	<u>\$ 1,273,192</u>	<u>\$ 360,291</u>	<u>\$ (414,291)</u>

**Pension Expense/Income** - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2016 to December 31, 2016</u>
Service Cost	\$ 324,388
Interest on Total Pension Liability <sup>(1)</sup>	620,751
Effect of Plan Changes	0
Administrative Expenses	6,021
Member Contributions	(132,541)
Expected Investment Return Net of Investment Expenses	(599,063)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	52,706
Recognition of Assumption Changes or Inputs	21,510
Recognition of Investment Gains or Losses	174,634
Other <sup>(2)</sup>	<u>18,687</u>
Total Pension Expense (Income)	<u>\$ 487,093</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

**Deferred Inflows/Deferred Outflows of Resources** -As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 4,893	\$ 72,483
Changes in Assumptions	-	43,021
Net Differences Between Projected and Actual Earnings	-	512,975
Contributions Made Subsequent to Measurement Date <sup>(3)</sup>	-	147,518
	<u>\$ 4,893</u>	<u>\$ 775,997</u>
Totals	<u>\$ 4,893</u>	<u>\$ 775,997</u>

<sup>(3)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 248,850
2018	212,659
2019	151,553
2020	10,524
2021	0
Thereafter <sup>(4)</sup>	0

<sup>(4)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Schedule of Deferred Inflows and Outflows of Resources** - The following presents the components of deferred inflows and outflows of resources:

	Original Amount	Date Established	Original Recognition Period <sup>(1)</sup>	Amount Recognized in 12/31/16 Expense <sup>(1)</sup>	Balance of Deferred Inflows 12/31/16	Balance of Deferred Outflows 12/31/16
<b>Investment (Gains) or Losses</b>						
	\$ 52,611	12/31/16	5	\$ 10,522	\$ -	\$ 42,089
	713,311	12/31/15	5	142,662	-	427,986
	107,250	12/31/14	5	21,450	-	42,900
<b>Economic/Demographic (Gains) or Losses</b>						
	(6,524)	12/31/16	4	(1,631)	4,893	0
	72,583	12/31/15	4	18,146	-	36,292
	144,764	12/31/14	4	36,191	-	36,191
<b>Assumption Changes or Inputs</b>						
	-	12/31/16	4	-	-	-
	86,041	12/31/15	4	21,510	-	43,021
	-	12/31/14	4	-	-	-
<b>Employer Contributions Made Subsequent to Measurement Date<sup>(2)</sup></b>						<b>147,518</b>

<sup>(1)</sup> Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

<sup>(2)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of the TCDRS GASB 68 Report.

**B. Postretirement Health Care Benefits**

The County pays health insurance premiums for retired elected officials and other retired employees. The County pays the premiums monthly as they are billed by the insurance carrier and charges the cost to insurance in the financial statements. The County paid premiums totaling \$93,642 for 12 retirees during the current year.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**C. Other Postemployment Benefits**

Plan Description - The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS' Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

Funding Policy - Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2017, 2016, and 2015, were \$8,562, \$8,967, and \$9,046, respectively, which equaled the contractually required contributions each year.

**D. Closure and Postclosure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County is required by state and federal laws and regulations to annually provide assurance that financial resources will be available to provide for closure, postclosure care, and remediation or containment of environmental hazards. The County has complied with this requirement by obtaining a letter of credit from a bank.

**E. Tax Abatements**

The County has entered into contractual agreements with property owners in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the dates the agreements were reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of each agreement are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2017, the County had established abatement agreements with the following property owners:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2016 Assessed Values	2016 Taxable Values	2016 Abated Values	2016 Taxes Levied	2016 Taxes Abated
Sandbluff Wind Farm, LLC	12/12/05	2007	2016	\$ 33,373,550	\$ 10,012,070	\$ 23,361,480	\$ 40,048	\$ 93,446
Panther Creek Wind Farm, LLC	2/7/08	2010	2019	164,060,970	98,436,580	65,624,390	393,746	262,497
Rattlesnake Wind Farm I, LLC	8/19/11	2016	2025	259,657,000	103,862,800	155,794,200	415,451	623,177

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**E. Tax Abatements - Continued**

During fiscal year 2017, the total amount of abated property value was \$ 244,780,070. Based on the county tax rate of \$ 0.40 per \$ 100 of value, the foregone tax levy due to abatement agreements was \$979,120.

The County has also entered into tax abatement agreements with Bearkat Renewable Energy Project, LLC, and Edmondson Ranch Wind Energy, LLC. Tax abatements have not started on these agreements.

**F. Adjustments to Net Position/Fund Balance**

The financial statements reflect the following prior period adjustments:

	<u>Net Position Statement of Activities</u>	<u>Fund Balances Governmental Funds</u>
General Fund		
Prior Period Due to Other Governments	\$ (4,076)	\$ (4,076)
Prior Period Construction in Progress	<u>(89,689)</u>	<u>0</u>
Total General Fund	<u>\$ (93,765)</u>	<u>\$ (4,076)</u>

**G. Subsequent Events**

The County's management has evaluated subsequent events through January 31, 2018, the date which the financial statements were available for issue.

Other Information



COUNTY OF GLASSCOCK  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Modified Cash Basis - Budget and Actual  
 General Fund  
 Year Ended September 30, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,153,990	\$ 10,153,990	\$ 9,877,481	\$ (276,509)
Fees	621,000	621,000	587,687	(33,313)
Fines	225,000	225,000	314,271	89,271
Intergovernmental	820,200	820,200	742,512	(77,688)
Interest	50,000	50,000	151,877	101,877
Miscellaneous	37,600	37,600	52,448	14,848
<b>Total Revenues</b>	<b>\$ 11,907,790</b>	<b>\$ 11,907,790</b>	<b>\$ 11,726,276</b>	<b>\$ (181,514)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 6,231,292	\$ 6,218,442	\$ 6,095,287	\$ 123,155
Roads and Bridges	3,356,022	3,356,022	2,553,715	802,307
Justice System	358,153	358,153	300,927	57,226
Public Safety	849,167	849,167	756,741	92,426
Public Health and Welfare	139,277	139,277	120,432	18,845
Culture and Education	921,732	934,582	110,261	824,321
Community and Economic Development	32,500	32,500	29,803	2,697
<b>Total Expenditures</b>	<b>\$ 11,888,143</b>	<b>\$ 11,888,143</b>	<b>\$ 9,967,166</b>	<b>\$ 1,920,977</b>
<b>Net Change in Fund Balance</b>	<b>\$ 19,647</b>	<b>\$ 19,647</b>	<b>\$ 1,759,110</b>	<b>\$ 1,739,463</b>
Fund Balance - Beginning	20,690,867	20,690,867	20,690,867	0
Prior Period Adjustment	0	0	(4,076)	(4,076)
<b>Fund Balance - Ending</b>	<b>\$ 20,710,514</b>	<b>\$ 20,710,514</b>	<b>\$ 22,445,901</b>	<b>\$ 1,735,387</b>

COUNTY OF GLASSCOCK  
Schedule of Changes in Net Pension Liability and Related Ratios -  
Texas County & District Retirement System  
Year Ended September 30, 2017

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 324,388	\$ 294,353	\$ 235,155
Interest on Total Pension Liability	620,751	577,149	533,884
Effect of Plan Changes	0	(49,112)	0
Effect of Assumptions Changes or Inputs	0	86,041	0
Effect of Economic/Demographic (Gains) or Losses	(6,523)	72,584	144,764
Benefit Payments/Refunds of Contributions	<u>(444,257)</u>	<u>(434,591)</u>	<u>(419,309)</u>
Net Change in Total Pension Liability	\$ 494,359	\$ 546,424	\$ 494,494
Total Pension Liability, Beginning	<u>7,722,365</u>	<u>7,175,941</u>	<u>6,681,447</u>
Total Pension Liability, Ending	<u>\$ 8,216,724</u>	<u>\$ 7,722,365</u>	<u>\$ 7,175,941</u>
Fiduciary Net Position			
Employer Contributions	\$ 167,969	\$ 161,157	\$ 211,506
Member Contributions	132,541	130,041	120,818
Investment Income Net of Investment Expenses	546,453	(90,238)	484,265
Benefit Payments/Refunds of Contributions	(444,257)	(434,591)	(419,309)
Administrative Expenses	(6,021)	(5,461)	(5,769)
Other	<u>(18,687)</u>	<u>38,692</u>	<u>20,443</u>
Net Change in Fiduciary Net Position	\$ 377,998	\$ (200,400)	\$ 411,954
Fiduciary Net Position, Beginning	<u>7,478,435</u>	<u>7,678,835</u>	<u>7,266,881</u>
Fiduciary Net Position, Ending	<u>\$ 7,856,433</u>	<u>\$ 7,478,435</u>	<u>\$ 7,678,835</u>
Net Pension Liability/(Asset), Ending	<u>\$ 360,291</u>	<u>\$ 243,930</u>	<u>\$ (502,894)</u>
Fiduciary Net Position as a % of Total Pension Liability	95.62%	96.84%	107.01%
Pensionable Covered Payroll	\$ 1,893,436	\$ 1,857,727	\$ 1,725,969
Net Pension Liability as a % of Covered Payroll	19.03%	13.13%	-29.14%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the measurement date as opposed to the County's fiscal year.

COUNTY OF GLASSCOCK  
 Schedule of Employer Contributions -  
 Texas County & District Retirement System  
 Year Ended September 30, 2017

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 189,197	\$ 189,197	\$ 0	\$ 1,657,621	11.4%
2015	175,339	175,339	0	1,824,999	9.6%
2016	172,785	172,785	0	1,958,868	8.8%
2017	186,842	186,842	0	1,970,441	9.5%

(1) Payroll is calculated based on contributions as reported to TCDRS.

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the County's fiscal year as opposed to the time period covered by the measurement date.

COUNTY OF GLASSCOCK  
Notes to the Other Information  
September 30, 2017

Note A - Net Pension Liability

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/ Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Supplementary Information

COUNTY OF GLASSCOCK  
 Taxing History for Ten Years  
 September 30, 2017

The assessed valuations, tax rates, and taxes levied by the County of Glasscock for the past ten years are shown below:

<u>Roll Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>
2007	\$ 774,463,670	\$ 0.343165	\$ 2,657,687
2008	1,062,244,170	0.263400	2,797,954
2009	900,285,160	0.342000	3,078,976
2010	1,066,232,390	0.308000	3,283,995
2011	1,403,800,627	0.300000	4,211,414
2012	3,055,675,455	0.220000	6,722,489
2013	3,261,645,290	0.240000	7,827,949
2014	3,638,514,419	0.270000	9,823,991
2015	2,763,293,376	0.400000	11,053,174
2016	2,528,175,161	0.400000	10,113,133

COMPLIANCE AND INTERNAL CONTROLS SECTION

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable County Judge  
and Commissioners' Court  
County of Glasscock  
P.O. Box 67  
Garden City, TX 79739-0067

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Glasscock's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Glasscock's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Glasscock's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Glasscock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eckert & Company, LLP*

January 31, 2018